

## Message Text

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20

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 SAL-01 OMB-01 AGR-20 COA-02 INT-08

SCI-06 L-03 /124 W

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FM AMEMBASSY SEOUL

TO AMEMBASSY BANGKOK

INFO SECSTATE WASHDC 6867

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E. O. 11652: N/A

TAGS: ELAB, EGEN, KS

SUBJECT: GOVERNMENT RESTRICTIONS ON FOREIGN INVESTMENT

AMERICAN EMBASSY, SEOUL

REF: BANGKOK 40 51

1. ROKG DOES NOT HAVE RESTRICTIONS ON FOREIGN INVESTMENT AND ACTIVITIES SIMILAR THOSE OUTLINED REFTTEL. KOREAN GOVERNMENT, RECOGNIZING IMPORTANT ROLE FOREIGN INVESTMENT PLAYS IN COUNTRY' S ECONOMIC AND SOCIAL DEVELOPMENT, INSTITUTED IN 1966 FOREIGN CAPITAL INDUCEMENT LAW ( FCIL) WITH LIBERAL INVESTMENT INCENTIVES AND SAFEGUARDS TO ATTRACT PRIVATE FOREIGN CAPITAL AND TECHNOLOGY INTO KOREA.

2. FOREIGN INVESTORS IN KOREA MAY INVEST IN ANY FIELD CONDUCIVE TO SOUND DEVELOPMENT SELF- SUSTAINING NATIONAL ECONOMY, EXCEPT IN CERTAIN RESTRICTED FIELDS WHICH ARE DESCRIBED AS FOLLOWS:

A. LEGALLY PROHIBITED:

COVERING SUCH INDUSTRIES AS: CIGARETTES MANUFACTURE, PROCESSING GINSENG ( PROHIBITED UNDER GOVERNMENT

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MONOPOLY LAW), AND WATER SUPPLY ( PROHIBITED UNDER WATER SUPPLY LAW);

B. LEGALLY RESTRICTED:

COVERING SUCH INDUSTRIES AS: MINING, AVIATION, FISHERIES, ( REQUIRING FOREIGN OWNERSHIP TO BE LESS THAN 50 PERCENT), AND MARINE TRANSPORTATION ( REQUIRING ALL BOARD DIRECTORS TO BE KOREAN NATIONAL);

C. PROHIBITED UNDER ROKG INDUSTRIAL POLICY:

COVERING SUCH INDUSTRIES AS: POWER PLANT AND DISTRIBUTION, RAILWAYS, GAS SUPPLY, COASTAL FISHING;

D. PROHIBITED TO PROTECT DOMESTIC ENTERPRISES:

COVERING SUCH INDUSTRIES AS: MANUFACTURE OF WIGS AND EYELASHES, PLYWOOD; AND

3. OTHER RESTRICTED INDUSTRIES:

SUCH AS: TEXTILE PRODUCTS, METAL PRODUCTS, IRON AND STEEL, CHEMICALS, TRANSPORTATION AND STORAGE ( WHERE FOREIGN OWNERSHIP MUST NOT EXCEED 50 PERCENT), AND SUCH INDUSTRIES AS: REFINING, TRANSPORTATION COMPONENT, I. E. AUTOMOBILE ENGINES, ENGINE PARTS, BRAKE AND CLUTCH SYSTEMS, ETC. ( WHERE 50 PERCENT OR MORE OF PRODUCTION MUST BE EXPORTED).

3. DESPITE ROKG IMPOSITION RESTRICTED FIELDS MENTIONED

ABOVE, KOREA INVESTMENT CLIMATE CONTINUES BE FAVORABLE. FACTORS CONTRIBUTING PREVALENCE SUCH FAVORABLE INVESTMENT-CLIMATE INCLUDE: POLITICAL STABILITY, RAPID ECONOMIC GROWTH, ABUNDANT LABOR FORCE, POSITIVE ATTITUDE TOWARD FOREIGN INVESTORS AND LIBERAL INVESTMENT INCENTIVES OFFERED UNDER FOREIGN CAPITAL INDUCEMENT LAW. IN VIEW FOREGOING PRIVATE FOREIGN INVESTMENT APPROVED BY ECONOMIC PLANNING BOARD ( EPB) FOR PERIOD 1962 THROUGH 1972 REACHED TOTAL \$2,879 MILLION (\$2,507 MILLION LOANS AND \$372.0 MILLION EQUITY) FOREIGN EQUITY INVESTMENT APPROVED BY EPB DURING CY 1972 AMOUNTED TO OVER \$117 MILLION.

4. AS ABOVE RESTRICTED FIELDS FOR INVESTMENT CONTRADICT

TERMS OF FCN TREATY WITH ROKG PARTICULARLY THOSE RESTRICTIONS SPECIFIED UNDER PARA 2 D& E. USG FORMALLY ADVISED KOREAN LIMITED OFFICIAL USE

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GOVERNMENT OF ITS OBJECTION TO IMPOSITION SUCH RESTRICTIONS TO

AMERICAN INVESTORS. HOWEVER, USG DOES NOT VIEW SUCH RESTRICTIONS WITH MUCH CONCERN SINCE THEIR PRACTICAL IMPACT VERY MINOR IF NOT NON- EXISTENT.

5. OTHER DETAILS RELATING TO FOREIGN INVESTMENT IN KOREA AND TO RESTRICTED FIELDS OF INVESTMENT MENTIONED ABOVE ARE CONTAINED IN ORKG PUBLICATIONS " GUIDE TO INVESTMENT IN KOREA" AND " INVESTMENT OPPORTUNITIES IN KOREA" WHICH ARE BEING AIR- POUCHED.  
HABIB

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** martinjw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**Review Authority:** martinjw  
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**Subject:** GOVERNMENT RESTRICTIONS ON FOREIGN INVESTMENT AMERICAN EMBASSY, SEOUL  
**TAGS:** EGEN, ELAB, KS  
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